Valuation of Natural Resources

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Abstract

The world is up-tight with the deteriorating environment of today. Green pressure groups and pro-development advocates have both tended to pit economic growth in one corner against environmental concerns in the other. By asserting that there is a conflict between the objectives of economic growth and those of environmental protection, the protagonists have failed to see potential for mutual reinforcement.

Property Valuers of today can no longer afford to be mere by-standers when faced with the growing demands of the 'Greens'. It is for the Valuers to put forward the argument that, contrary to popular belief, economic growth, market systems and environmental improvements can go hand in hand. As environmental resources become scarce, or less abundant, there is a greater need to use markets, prices and other devices from the Valuer's toolbox, since these are the proven mechanisms for dealing with the challenges of scarcity. In the context of Asean countries, Property Valuers have to play a bigger role in environmental matters mainly because of the fact that the environmental planning and legislation are still not as sophisticated as those in American or European countries. Issues like the greenhouse effect and the problems cause by acid rain should now be the concern of present-day Property Valuers.

This paper aims to bring into focus the need for property valuers to be 'environmentally conscious'. It discusses the need for Valuers to place a value on the preservation of the natural environment. It examines the current methods of valuation of property with natural resources. It encourages valuers to evaluate the economics of environmental quality, to become a member of the emerging group of "green valuers".

Keywords : environmental quality; sustainable management; resource management; cost-benefit analysis; green valuers.

Setting the Background

It was the former Prime Minister of England, Margaret Thatcher, who in 1988 said:

> " No generation has a freehold on this earth. All we have is a life tenancy, with a full repairing lease".

This one statement turned the Iron lady into the Green Goddess.

If one is to reflect upon the statement, one will realise that, oft times, the present generation has acted selfishly in the use and development of land and property, with total disregard to the environment and thus create problems for future generations. There is now a noticeable shift of public opinion all over the world towards a greener and better environment for our future generations to enjoy.

The Kingdom of Thailand

In the Kingdom of Thailand, the government cabinet approved the Eighth National Plan (1997 - 2001) early this year which focuses, inter-alia, on :

> "encouraging the proper use and care of natural resources and the environment to support the sustainable development of the economy, society and the quality of life. "[1]

The Plan states that the environmental resources will be protected by rehabilitating forests to ensure coverage of at least 25% of the national landmass, creating opportunities in natural agricultural opportunities, in natural agricultural occupations such as organic farming, integrated farming, and agro-forestry, and investing in the resuscitation of the environment to raise the quality of life in cities and countryside.

New Zealand's answer to the environmental planning

In New Zealand, the Resource Management Act 1991 is now in operation. This Act concerns the management of natural and physical resources. The Act integrates town planning and environmental laws and sets up a resource management system that promotes sustainable management of natural and physical resources.

The Resource Management Act is now the principal statute for the management of land, sub-division, water and resources, the coast, the air and pollution control, including noise control. It sets out the rights and responsibilities of individuals, territorial and regional councils and central government. The Act also sets up a system of policy, plan preparation and administration which allows the balancing of a wide range of interests and values.

Its central concept of sustainable management encompasses the themes of use, development and protection of the natural resources.

"Sustainable management" in the Act is defined as :

> " the use, development and protection of natural and physical resources in a way, or at a rate, which enables people and communities to provide for their social, economic and cultural wellbeing and for their health and safety while :

a. sustaining the potential of natural and physical resources (excluding minerals) to meet the reasonably foreseeable needs of future generations;

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[1] "The Investment Environment in Thailand", June 1966, pp. 19, published by the Office of the Board of Investment, Office of The Prime Minister, Royal Thai Government.

b. safeguarding the life-supporting capacity of air, water, soil and ecosystems; and

c. avoiding, remedying or mitigating any adverse effects of activities on the environment." [2]

The Singapore's approach

Singapore's approach to environmental planning has been set within the framework of an urbanised society and the focus so far has been on

a. the protection of established natural reserves and water catchment areas;

b. the separation of industries from residential areas; and

c. the provision of 'clean and green' environment for the population.

The prospects of further urbanisation and depletion of existing natural environment has given rise to concern of a need for more rigorous environmental planning procedures as there is no single co-ordinating body which deals comprehensively and authoritatively with environmental planning matters. In addition, there is no systematic collection and sharing of environmental data amongst the various planning and development agencies. There is also no definite set of procedures that require implementation agencies and developers in Singapore to adhere to processes that ensure a high degree of environmental sensitiveness when undertaking major developments such as housing and infrastructure construction.[3]

Defining Natural Resource

A natural resource is anything produced naturally that is needed by a group of organisms. Fertile soil upon which to grow is one resource that people need in their environment. Other natural resources include fresh water and fuel for washing and heating respectively. People also need metals and other minerals, building materials like granite and sand, fibres to make clothes and air space.

Natural resources can be classified as either non-renewable resources which can become depleted in time and renewable which, at least in theory, can last forever. metal, sand and clay are examples of non-renewable resources while fresh water, air, soil, trees, crops and other living organisms are examples of renewable resources.

This Paper's Aim

This paper deals first with the valuation of land with natural resources generally, be they granite, limestone or fresh water and later with the need to consider the value of renewable resources in order that can achieve the goal of environmental science - that is to have a sustainable world, a world in which human populations can continue to exist indefinitely with a high standard of living and health.

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2 "Guide to the Resource Management Act, 1991", August 1991, pp. 8, published by the Ministry for the Environment, New Zealand.

3 Conference paper entitled "Environmental Planning" presented by Malone-Lee Lai Choo at the seminar on "Environmental Issues in Development and Conservation" organised by the School of Building and Estate Management, National University of Singapore in February, 1993.

"Sustainable" is the key

A sustainable world is one that can go on indefinitely. This does not mean an unchanging world; it means a world containing enough of the things that people need to support human life forever. In practice, in a sustainable world, we would produce enough food each year to feed the human population, while keeping the soil fertile so that agriculture could produce just as much food in every future year. We would supply clean water to everyone, while ensuring that we would have just as much to use next year, by cleaning polluted water before returning it to the water supply or by using no more water than nature purifies each year. We would use energy, building materials, and minerals no faster than they could be produced so that our supply of these things would last forever. And then we would dispose of our wastes in such a way that the air remains fit to breathe, and no one has to live next to a toxic dump or an unsightly pile of plastic garbage.

The Valuation of Land with Natural Resources

The Valuation of Land

Land valuation is a familiar subject to most valuers.

In the case of vacant land, traditional valuers have used an array of analysis of market data such as :

a. adjusted rates per square metre from asking prices;

b. adjusted rates per square metre of standard depth tables;

c. adjusted rates per metre frontage;

and so on,

to provide evidence of market value within similar land usage zones. Where development of the land is envisaged, the traditional valuer will proceed to perform a residual analysis to justify the value of the land in spite of, or in addition to, market analysis.

These methods can produce fairly accurate estimates of land values so long as the environmental planning of the locality has been taken care of. In other words, the methods can only be used with certainty :

where the planning law has defined the land use for the area; and

where the environmental law has taken care of the possible ill-effects of soil erosion or of pollutants, and so on.

In the Asean context, however, the situation where proper land use planning and environmental control legislations are in place is the exception rather than the rule. Imagine a property valuer placing an opinion on the value of a piece of land next to a river somewhere in Laos or Cambodia only to find that the land disappears the very next month when the flooding period arrives.

Or, to take another example, how would a property valuer determine the value of an hypothetical vacant site in Hanoi close to an industrial township to be developed into an international boarding school, knowing full well that the site has varying degrees of noise and air pollution?

Allowance for the Environment

Most valuers would allow discounting factors when faced with the valuation of a environmentally sensitive property. Exactly how much of a discounting factor to allow has however not been subjected to any serious study. One can argue that the more a valuer allows for such a factor, the more he or she tends to be further from the "market" as it is basically the "unknowing" that determines "market values". This is where the 'Green Valuer' emerges. If the valuer can include an environmental impact study of the proposed development inside his or her report, the valuer would have no difficulty in justifying his or her valuation. An enviromental impact study shows the expected impact of the development on the total environment including such issues as air quality, employment, energy consumption, noise levels, vegetation, vehicular traffic, wildlife conservation and population density.

Land with Natural Resources

The traditional method of valuation of a plot of land with natural resources such as land for the mining of minerals is that of the profits approach. Whether it be mineral sands, uranium, diamonds, coal, iron or gold, mining has the potential of transforming mineral resources into commodities of considerable value. As such, the profits approach works on the principle of estimating the total profit flows that can be derived from the operation and capitalising such flows into a capital value. The basic sequence of the profits approach is as follows :

1. Determine the extent of the quantity of mineral resources that can be mined out from the property and the time frame within which the quantity is to be extracted;

2. Convert the estimated quantity into potential earnings within the time frame as cash in-flows;

3. Estimate the expenses to be incurred in the extraction process (including any possible government royalties imposed by law) in the form of cash-outflows;

4. Calculate the estimated cash positions on a monthly or yearly basis;

5. Convert the estimated series of cash incomes into a capital value using the discounted cash flow technique.

The 'Green Valuer' would additionally have to consider the environmental concerns associated with the mining process. How much of the landscape would be scarred? How would rivers and other pre-existing systems be affected? And, more importantly, what is the extent of the reduction in the values of those nearby plots of land which are used for purposes other than mining? The Green Valuer would have to use cost-benefit analysis to assess the overall environmental impact of the mining process. He or she would have to recommend steps for the rectification of the land because mining has a history of leaving behind a legacy of degradation and destruction on the land.

Land Degradation

Land degradation is the adverse effects which various uses of land by man have on current and future services provided by land. It can be the consequence of mining as well as of farming. Decisions on grazing levels, on cropping practices, on irrigation and on clearing land, all designed to increase production and income, can result in soil erosion, loss of soil fertility, salinity and other forms of land degradation.

The Green Valuer has to work out a framework for the evaluating farm management decisions and government policies influencing land degradation. The emphasis should be on what should be done for the sustainable future and the cost of such actions allowed for in the present, as an expense of land development.

Cost-Benefit Analysis

Cost-benefit analysis is the systematic appraisal of all the benefits and all costs of a contemplated course of action in comparision with alternative courses of action. The central task in any cost-benefit study is to quantitatively estimate the costs and the benefits of various alternative actions to address a particular situation. This task is never easy when applied to environmental issues as it is difficult to place monetary values on items such as the degree of air pollution or the extent of failing health amongst the population. This area of valuation is relatively new to the green valuers who would have to, at least initially, rely on the works of environmental economists.[4]

The Cost of Pollution or The Value in Cleaner Air

The atmosphere is the life blanket of the earth, the essential ingredient for all living things. Air covers every part of the 200 million square miles of the earth's surface. In the course of a day, a single person breathes a large quantity of air in a constant automatic response to extract life-giving oxygen. The air is composed of 78 percent nitrogen, 21 percent oxygen and a small remaining 1 percent of various other gases such as argon, carbon dioxide, helium, hydrogen, krypton, neon and xenon.[5]

Pollution is the usual by-product of economic activity - whether it be acid rain, hazardous waste, oil-spilling tankers or simply discarded beer bottle. Because of the fact that there is no global rubbish bin, it is normal to expect that the government of the day will make polluters pay for the waste or rubbish they dump. Green valuers will have to realise the benefit of say the separation of household refuse for recycling, not so much as to save raw materials but to avoid the high cost for somewhere to tip the refuse.

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4 Refer to Arnold, Frank S.'s book on "Economic Analysis of Environmental Policy and Regulation" published by John Wiley & Sons, Inc. 1995, for examples of Cost-Benefit Analysis of some interesting environmentally related cases, such as the Asbestos Products Ban, Options for Enhancing Used-Oil Recycling, Restrictions on Formaldehyde Use in Textiles Manufacturing and the Cancellation of a Pesticide Registration.

5 Seneca, Joseph J. and Youssig, Michael K. "Environmental Economics", Second Edition, 1979, pp. 158.

The consequences of deteriorating air quality

Some of the major identifiable economic effects of poor air quality are listed below so that green valuers can begin to think out ways of costing out possible remedies.

1. Human health effects.

Poor air quality conditions can lead to human fatalities. For example, thermal inversion trapping normally heavy amounts of industrial emissions in the air over the Meuse Valley of Belgium had caused 63 deaths in December 1930. More recently, in the winters of 1952 and 1962, the legendary fog and low ceilings of London together with thermal inversions caused the deaths of over four thousand Londoners on each occasion. In the present-day urban context, the presence of legionella bateria in air conditioned offices has caused health problems to many.[c] Many medical studies have pointed to an association of non-respiratory cancers with air quality indices and to relating cardiovascular diseases to air pollution.

The health effects of poor air quality elude efforts to place dollar value estimates on their damages. Loss of efficiency on the job due to air-pollution-related health effects is obviously a difficult item to measure, although it has been established that the presence of carbon monoxide reduces response time of the nervous system.

Sickness induced by air pollution may not be recognized as responsible for work days lost or above-normal absenteeism. Some on-the-job injuries and industrial accidents also may be attributable to air pollution although they are not recorded as such. In addition, there may be significant human health effects of persistent exposure to what is now believed as safe levels of air pollutants. Ideally all of these items should be included in any dollar measure of thecost of air quality deterioration. Therefore, present estimates of these costs, however large they seem, must be accepted as only a rough under-estimate of the true human costs of air pollution.

2. Agriculture and air quality.

Agricultural damage to crops and livestock is a second major effect associated with poor air quality. There is considerable evidence to suggest that agricultural damage caused by air pollution is extensive. Ozone, for example, affects plant cells beneath the surface of the leaf and ultimately damages or destrops the plant. Studies have demonstrated that extensive ozone damange to agriculture crops exists. Sulphur dioxide in the atmosphere is taken into plants through the respiratory process and in combination with water naturally contained within the plant, becomes toxic to plant cells.

The harmful efects of air pollutants on agricultural activities cannot again be estimated accurately.

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[c] Singapore's Ministry of Environment (1992), Code of Practice for the Control of Legionella Bateria in Air-Conditioning Towers in Singapore.

3. Property damages.

Air pollutants are also responsible for extensive damages to property. The blackened facades of buildings in urban centres bear testimony to the presence of particulate, hydrocarbon and sulphur pollutants. This soiling causes cleaning expenditures considerably in excess of those that normally would be undertaken.

Air pollutants corrode, crack and weaken building materials. Ozone, for example cracks and breaks rubber and sulphur dioxide emssions can affect a wide variety of property from the hardest of materials such as iron and steel to domestic furniture, synethetic fabrics and clothing.

4. Safety and amenity effects of air pollution.

Air pollutants can be responsible for a number of automobile, air and industrial accidents. Decreased visibility due to smog and smoke condition contributes to the frequency of highway accidents. The cost of these automobile accidents in terms of lives, injuries and property should be included as an additional cost of air pollution.

The Value in Trees

It is no coincidence that the Eighth National Plan for Thailand states that the environment resources should be protected by rehabilitating forests to ensure a coverage of at least 25 percent of the national landmass. A carefully planned and structured move towards a more market based forest industry could achieve an improved balance of environmental and economic goals. By allowing owners of forest resources to trade-off competing forest uses at prices which reflect real market values, including values placed on enviornmental amenities, a country can have both a more efficient timber industry and more environmental benefits.

The green valuers should advocate that forest management be aimed at balancing competing forest uses by factoring community valuations of timber, leisure amenities and other needs into decisions. The costs of deforestation should be recognised. Uncontrolled and unmanaged deforestation can lead to diminished rainfall, unreliable water supplies, soil erosion, silting rvers and harming dams.

Reforestation

Natural forests provide us with numerous resources, such as new species and vaneties of organisms, absorption of carbon dioxide produced by burning fossil fuel. At the present time, tropical forest is being destroyed mainly to provide fuelwood and subsistence farms to support the rapidly growing population and cash crops for export. One of the most pressing problems in many developing countries is a fuel shortage caused by the unsustainable harvesting of wood that results from over-population. The depletion of wood supplies is the largest single cause of environmental degradation in most developing countnes. It raises the cost of living and causes malnutrition and disease.

It is unreaslistic to hope that the rate at which forest is being felled will slow down before most of the world's natural forest has gone. The only hope of having enough forest in the next century to slow climate changes and support rural economies is reforestation - the deliberate planting of trees. By the year

2000, environmentalists are hoping that at least as many trees will be planted as they are cut down each year.

Conclusion

The value of all natural resources must surely increase as they become more scarce. The greater the public is aware of the importance of natural resources and the need for a sustainable environment, the more there is a need for property valuers to become 'green valuers'. The Royal Institution of Chartered Surveyors is promoting to its members the 'profession of the environment' and urging RICS members to consider how their work in the environmental arena can enhance the collective skills of hte profession and its reputation for good practice. Caring for the environment has become the concern of Chartered Surveyors when they advise their clients on the life cycle of land, property and construction.

This paper serves to highlight the need for property valuers to be conscious of the environmental concerns and to look into the need to consider the value of natural resources when performing their professional duties.

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9th ASEAN VALUERS CONGRESS

7-9 November 1996
The Imperial and Siam Inter-Continental
Bangkok, Thailand

Programme

Time	Event	Venue
Day 1 Thursday 7 Novenber 1996		
7:00-12:00	Registration	Siam Ballroom
8:00	Departure from Siam Inter-Continental Hotel to Government House	
9:00	Opening Ceremony presided by the Prime Minister of Thailand & Welcoming Reception	Santi Maitr Building
10:00	Leave for the Imperial Hotel	
10:30-11:00	Coffee Break	
11:00-11:30	Keynote Address Greg C McNamara, Vice - Chairman, International Valuation Standard Committee	Ploenchit Room
11:30-13:00	Luncheon	Garden Room
13:00-14:30	Plenary Session " Current Valuation Standard & Practices "	Ploenchit Room
14:30-15:00	Coffee Break	
15:30-16:30	" Objectivity in Valuation Techniques "	
16:45-18:30	Workshop Session 1) " Effects of Rent Control on Real Estate Values "	
19:00-21:00	Dinner	Nualchand Room
21:00	Return to Siam Inter-Continental Hotel	

Time	Event	Venue
Day 2 Friday 8 November 1996		
9:00 - 10:00	Keynote Address :	Siam Ballroom
	Mrs.Tanya Sirivetin, Assistant Governor	
	Bank of Thailand	
10:15 - 10:35	Coffee Break	
10:35 - 12:00	Plenary Session	Siam Ballroom
	" Valuation under Conditions of Rapidly Changing Prices "	
12:00 - 13:30	Luncheon	Sarocha Room
13:30 - 15:00	Workshop Sessions	Siam Ballroom I and II
	1) " Valuation of Air Space and Subterranean Rights "	
	2) " Valuation of Natural Resources "	
15:00 - 15:30	Coffee Break	
15:30 - 17:00	Workshop Sessions	Siam Ballroom I and II
	1) " Application of Information Technology in Valuation Process "	
	2) " Valuation of businesses and going concerns "	
17:00 - 17:30	Conclusion and Closing remarks :	Siam Ballroom
	Chief of Delegations of AVA Council	
17:30 - 18:00	AVA General Meeting	
19:00 - 22:00	Farewell Party	Siam Ballroom
Day 3 Saturday 9 November 1996		
09:00 - 12:00	Special Activities (Optional tours)	

OBJECTIVITY IN VALUATIONS

By

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Presented in the Plenary Session of
The 9th ASEAN Valuers Congress

November 7 , 1996
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OBJECTIVITY IN VALUATIONS

Introductory Notes

Objectivity in the expression of value opinion is one of the most important qualities required of valuers, though its intrinsic nature has rarely been explored. It seems easier phrased in words than proven by deeds. Part of the problem lies in the lack of clearly defined meaning or conduct against which deviation can be conveniently observed or measured. Certainly, valuation is not alone in the professional advisory services that face similar dilemma.

Conceptual Underpinning

Requiring a person to be objective in his service undoubtedly calls for something much more than hope from him. Objectivity in any profession always presupposes reliability. Reliable services clearly need proper methodology and consistency in the application of concepts and principles generally acceptable in the profession. Obviously, suitable education and training coupled with actual working experience are indispensable for a person to possess the quality of being professionally reliable. Demanding objectivity from an inadequately trained and seasoned person thus would render him out of his depth and yield nothing more than frustrations, by forcing him to act in the role he knows nothing about. Nevertheless, there exists no guarantee that all weathered professionals would always think and act objectively. They merely are less inclined to be prejudiced by virtue of ignorance and ineptness.

Objectivity in its real sense has much to do with the mental stature of a person of whom it is required in the exercise of his professional service. Educational attainment accompanied by direct work experience should help inculcate the necessary ingredients in him to realize what is expected of him to remain objective, although seniority and maturity also appear likely to exert significant influence. As likewise attested in other professions, the general views seem to have concern about leaving objectivity to self-interpretation by individuals. This thus leads to development of the professional code of conduct in due recognition of such inadequacy. Unfortunately, rarely do the principles or guidelines set out offer unambiguous translation of conceptual foundations, including the quality of being objective, into readily comprehended practice, i.e., by way of citing acceptable and unacceptable instances, marginal or ambiguous cases which

are difficult to construe, rather than narrating by well-drafted phrases in abstract terms that present no practical guides for effective implementation. This, among others, might probably account for conceivable difficulty in the enforcement of practice standards of many, if not most, professional organisations.

Valuers and Valuations

Objectivity in valuations should refer to an ability on the part of a valuer to free himself from personal partiality in the entire process of deriving his professional opinion. Whether a valuer will be able to live up to this expectation would apparently hinge upon how candid he evaluates himself, how he carries out his assignment, and how his clientele view his performance.

1. **Objective Assessment of Own Competence** The first and foremost requirement is for a valuer to be completely objective in evaluating his own professional competence. It must always be remembered that real estate valuations have never been, and will not be in the foreseeable future, regarded as cross-national services. Despite the wide recognition of general valuation concepts and approaches, actual applications of valuation practice in each market territory still diverge, depending upon the legal framework and level of understanding of the market at large, let alone the recognised disparities between the American's and RICS's valuation approach and methodology. A valuer either has or has never had any professional experience undertaking valuations in particular locations of a particular country. There will never be something in-between. This also becomes more true for him to witness by himself if he has ever prepared valuations for certain types of property. Should he lack prior experience in valuing retail shopping complex, his claim of professional competence from previous office building valuations will never provide the correct substitute for his incompetence, especially in the disciplinary investigation of negligence.

For the aforedescribed reasons, it is of paramount importance that valuers need to be impartially straightforward in assessing his own professional competence before accepting any instructions. In a number of developing markets where property valuations are not well understood by clients, it would be tempting for valuers to claim the expertise they do not actually possess, by providing misleading statements that no specialised knowledge and experience are required for individual classes and types of property under valuation.

2. Objectivity in Undertaking Valuations It is well recognised that under the state of the art, valuation concepts, bases and methodology are still far from conclusive in many areas, specifically in their practical applications. The localised nature of property market, as mentioned earlier, even further renders them prone to various interpretations, thus running the risk of being oversimplified and misdirected for the sake of convenience. The lack of depth in identifying the true nature of property interests, determining the proper basis of valuation, as well as adopting inappropriate methods is seen in many substandard works. Valuation inclusions and exclusions remain debatable in several aspects, particularly in the areas where interfaces with other disciplines become inevitable. It is therefore imperative for the practice standards to be placed well in order before the requirement of objectivity can be effectively fulfilled.

However, even in more mature markets where valuations are well comprehended, there exist a number of practically unresolved issues that could make objectivity seem more apparent than real. One of the key roles of valuer is to interpret the market information and provide an unbiased estimate of property value. Interpreting the market information obtained by a valuer can require a certain degree of subjectivity, not because of his lack of impartiality, but due mainly to the incomplete availability of market data that could render his work superior or inferior to those of other professionals. This could probably take place even among valuers possessing equivalent experiences. Methodically, therefore, the value opinion to be arrived at could potentially vary according to the amount of market information gathered. It is certain, on the other hand, that the efforts taken by a valuer to secure the required information can objectively be assessed to evaluate the degree of objectivity exercised by him. Should the needed data be publicly accessible or such knowledge be reasonably expected to be possessed by valuation professionals, his missing of such crucial information will not be considered professionally defensible.

Of no less significance is the growing influence of finance discipline upon traditional valuation practice, which has been brought about mainly by the inroads of institutional investors into the property markets. Attempting to learn more about how valuations are undertaken, fund managers increasingly demand more expressly and quantitatively stated analyses made in financial terms with which they are more familiar. Hence, objective assessment of market evidence by valuers becomes mandatory rather than subject to their professional discretion. The areas of analysis considered warranting valuers' professional judgment are gradually narrowing. Objectivity is also rapidly defined to mean the ability of a valuer to

demonstrate more explicitly how a value is derived and the extent to which impersonal methods are employed in his diagnosis.

3. **Valuer's Objectivity as Viewed by Client** Since customer is king, no matter how impartial a valuer is to himself in carrying out his assignment, he still remains at the mercy of his client to decide if his valuation was unbiased or undertaken with acceptable level of objectivity. This definitely would be predicated upon the market context where valuation is done, client's perspectives in regard to his intended use of valuation information as well as his particular interests in the transaction, including, most importantly, the valuation work itself. It would not be unfair to state that a client can likewise be biased depending upon which position or what interests he maintains in the property under valuation. It cannot be taken for granted that most clients have a fair understanding of what the scope of responsibility a valuer should have in accepting his instructions. Nevertheless, a valuer cannot evade his primary responsibility of demonstrating to the best of his ability to his client how and why his work has been carried out with a desirable level of objectivity, that can possibly be expected of a professional with similar calibre and experience as his. As experienced by most valuers, the chances of success that exist in this particular respect would absolutely be contingent upon whether his client is reasonable and fair in his demand, in which commercial interests normally prevail.

Concluding Remarks

Whether objectivity is exercised in the entire valuation process can be summed up by seeing to it if the following, which is well recognized in the due diligence tasks, have been shunned: 1) **making untrue statement of a material fact**, and 2) **omitting statement of a material fact necessary in order to make the statement made not misleading**.